

781—3.5(12C) Securing uninsured public deposits in savings and loans using a letter of credit.

3.5(1) A savings and loan may secure an uninsured public deposit with a letter of credit as defined in these rules and Iowa Code section 12C.16.

3.5(2) The public unit shall have in its possession prior to or simultaneously with the deposit of uninsured public funds in a savings and loan, a deposit agreement (Form 655-0204) and a letter of credit (Form 655-0198) issued by the Federal Home Loan Bank to the public unit in an amount not less than 110 percent of the amount of public funds to be secured thereby.

3.5(3) If the letter of credit secures a demand deposit, the expiration date shall be determined by the public unit and the savings and loan; however, uninsured public funds shall be secured at all times.

3.5(4) The public unit shall keep the letter of credit in a vault or a safe deposit box in a financial institution other than the savings and loan in which the deposit was made, until such time as the letter of credit expires or is presented for payment to the Federal Home Loan Bank.

3.5(5) If the letter of credit secures a time deposit, the letter of credit shall have an expiration date which is at least ten business days later than the maturity date of the time deposit. In the event that the public unit decides to extend the maturity of its time deposit after the issuance of the letter of credit, the public unit shall obtain a new letter of credit from the Federal Home Loan Bank that takes into account the extended maturity date of the time deposit. The new letter of credit shall be obtained by the public unit prior to the maturity date of the original time deposit.